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MARKET REACTION TO DISCLOSURE OF LONG-TERM VALUE CREATION INFORMATION

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Abstract

At an increasing rate, companies decide to use integrated reports as their only reporting tool. Non-financial reporting is not a new phenomenon but most often, sections with environmental or sustainability or other non-financial information have been either a separate add-on or a stand-alone report in addition to the financial report. In our empirical research study, we examined the financial market reaction to the publication of 2018 annual reports of companies that only published one integrated report for their financial and non-financial information in comparison to a matched sample of companies that disclosed more than one report. As integrated reports aim to report on long-term value creation, it is hypothesized that market reaction will be less pronounced compared to the shorter term financial report. It was found that capital markets do react differently to integrated reports compared to only financial reports but the reaction varies substantially depending on the external business environment of the companies. Possible explanations are provided.

Keywords: Long-Term Value Creation, Integrated Report, Sustainability, Non-Financial Reporting, Six Capitals, Capital Market, Corporate Social Responsibility (CSR), Capital Market, Event Study.
